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IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE
COMMISSION,

No. C 11-00938 WHA

Plaintiff,

V.

LAWRENCE R. GOLDFARB and
BAYSTAR CAPITAL MANAGEMENT,
LLC,

**ORDER GRANTING MOTION
FOR DISBURSEMENT OF
FUNDS AND VACATING
HEARING**

Defendants.

Receiver John W. Cotton moves to distribute certain assets recovered from defendants (Dkt. No. 163). In particular, he recommends that (1) \$5,650,000 be paid to defrauded Island Fund investors on a *pro rata* basis, as detailed in the Receiver’s Attachment A; (2) \$238,157 be distributed to creditors who timely filed claims, as listed in the Receiver’s Attachment B; and (3) \$350,000 be held back in the receivership estate to cover the Receiver’s remaining tasks (*e.g.*, investigating the Yacht Fund, ensuring that other profit payments due from the Island Fund and LRG Cascade LLC are recovered, and completing remaining administrative tasks). This comes after prior orders granted a motion to sell the receivership estate’s largest interest for \$5.5 million, with later approval of the Receiver’s claims process for creditors (Dkt. Nos. 136, 145).

Importantly, the present motion has the support of the three largest Island Fund investors. Their ownership comprises 93% of the Island Fund capital (Cotton Decl. ¶¶ 22, 24). The Receiver declares (*id.* ¶ 24):

1 While I did not solicit the views of the remaining [seven percent]
2 due to their very minority status and the small economic impact
3 of this payment to them, each has been served with a copy of the
4 accompanying [m]otion and can voice any concerns they have
5 directly to the Court.

6 He further explains that “[t]he *pro rata* amount that otherwise would go to the remaining [seven
7 percent] of the IF investors, which instead is being paid to creditors, is only \$15,000 of the
8 \$215,000 approved by the 93% majority” (Br. 5 n.1).

9 To date, no objection has been received from any creditor. Moreover, the deadline to
10 oppose the Receiver’s motion has come and gone, without any opposition from defendants. The
11 Securities and Exchange Commission also does not oppose the present motion, having filed a
12 statement of non-opposition.

13 Accordingly, to the extent stated in the Receiver’s proposed order (Dkt. No. 163-4), the
14 motion to disburse is **GRANTED**. The Receiver is authorized to:

- 15 1. Make payments on a *pro rata* basis to all Island Fund investors listed in the
16 Receiver’s Attachment A, who timely filed claims as set forth in the Receiver’s
17 motion, in the percentage amounts indicated and up to approximately \$5,650,000;
- 18 2. Make payments to the creditors listed in the Receiver’s Attachment B, who timely
19 filed claims as set forth in the Receiver’s motion, and in the dollar amounts
20 indicated;
- 21 3. Hold back a reasonable amount of the receivership estate’s funds, estimated to be
22 approximately \$350,000, to complete the Receiver’s remaining tasks; and
- 23 4. Continue with the remaining tasks outlined in the Receiver’s motion to bring the
24 receivership estate to its conclusion as quickly as possible.

25 The hearing set for May 1, 2014, is hereby **VACATED**.

26 **IT IS SO ORDERED.**

27 Dated: April 21, 2014.



28 _____
 WILLIAM ALSUP
 UNITED STATES DISTRICT JUDGE